

NOTES FROM ISLAMIC FINANCE MEETING\

Venue: Madresa Zakariyya

Time: 10.00 am to 12.15 pm

- 1) Fee saver: Client agrees not to accept dividends and not to pay bank charges. When he closes his account, what happens if there is dividend? Well bank can keep this because he had agreed. So his was not an investment but a loan to the bank. He only took back what he had loaned. What the bank earned on his loan is theirs to keep.
- 2) If customer closes account before 12 months when he had agreed to the clause that if he closes before 6 mths he will not be entitled to dividends. And there are dividends in the account. Is he entitled to that dividend, or what must be done with it? Well, since he agreed that he will not accept dividend if he removes his money before 12 months bank can keep, but caution demands that they give it to charity or lillah etc. **(To follow this mas'ala up)**
- 3) **Important:** When the Bank finances a client for trade. The goods are purchased by the bank from the supplier, who makes out an invoice to the bank, and dispatches it. The bank does the insurance from their side as well as any other payments related to shipment and/or duties if overseas deal. Now, when the goods arrive, can the client take possession directly acting on behalf of the bank as their agent and then buy the goods from the bank, or does their have to be a separate company/person who takes possession as an agent for the bank? According to the Camperdown team one person cannot become wakeel for buyer and mushtaree. Hazrat Mufti Razaaul Haqq sahib stated that when the client takes possession that is *qanzha-e-amaanat* then when he makes *tasarruf* in the goods it becomes *qabzh-e-zhamaan*. Now the bank can sell the goods to him. (My understanding of this is that when he has made *tasarruf* in the goods that belong to the Bank, he becomes *zhaamin* so when he starts paying the installments he is actually fulfilling the *dhamaan* or compensation owing to the bank.)
- 4) **Points that arise from above:** *Is this not tasarruf bil-ijazah, and if so then it is qaradh or loan? In which case he has to pay back whatever he has taken. But the bank is taking money which is far in excess of the value of the goods. In fact they are selling him the goods. Can we say that he has the goods in his possession after which the bank sells to him their amanat? To check more avenues for this mas'ala.*
- 5) New product to be launched: investment in commodities. At this stage only grain but will investigate other goods. (Try to arrange an investor from PE)

- 6) Looking at offering upmarket investments for huge cash investors. Property was suggested but bank's policy is that they do not want to get tied down into owning properties due to technicalities involved such as vat, transfers etc. but will consider setting up external avenue for funding such a scheme.
- 7) Takaaful was considered but not yet satisfied with Shariah compliancy
- 8) **IOUFI: = check their website:** This consists of a consortium of about 300 plus Islami Banks and Financial Institutes world-wide. They have set certain standards for Islamic Banking and Finance. All Islamic Financial Institutes must adhere to these standards and must be affiliated to them. There is a cost of annual membership fee, as well as financial audits by people qualified in Islamic Finance. Wesbank will have to affiliate if they wish to lure international and foreign investors. EB believes our standards are "way beyond" Ioufi standards.
- 9) **Firstrand** intends opening a branch in India with Islamic Finance. At this stage Indian legislation (constitution) does not allow Islamic banking because of certain definitions of banking in this legislation. Matter is being looked into.
- 10) **The bank's method of calculating depositors' dividend:** At the end of (financial) year) they look at the balance in account then spread it over 365 days to get an average daily balance. Then on this average daily balance they calculate a percentage (2.6%, etc.) Question that Moulana Emraan raised: what if a depositor puts in a large sum on the last day of the year, for example, he puts in 365 rands, will it be spread over the whole year and considered as R1 per day? (If he had no balance or minimum balance before then?) This example was to be checked with an analyst.
- 11) **STAFF TRAINING;** The bank has a separate division to fund staff training. So they will include training staff on Islamic finance soon. Most branches have trained staff but due to growing need they will always have to take on new staff who have to be trained. In the past lack of facilities meant that delay in training staff.
- 12) Soon Islamic finance in Wesbank will operate from independent premises and as a company on its own, though still as part of the First Rand Group.
- 13) Outsurance, Discovery, Medlife etc are part of the Firstrand. With Eb having given promotion to serve in two jobs he will be able to bring all Islamic finance matters of these subsidiary companies under his wing. Outsurance etc were offering Muslim clients Islamic insurance etc but were previously 'outsourcing" Shariah compliancy authorization. Now it will fall under. Wesbank's SAB.
- 14) They need international investors because the local market is saturated and in order to boost liquidity and improve cash flow this is a necessity. Note mention of Ioufi standards above.

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